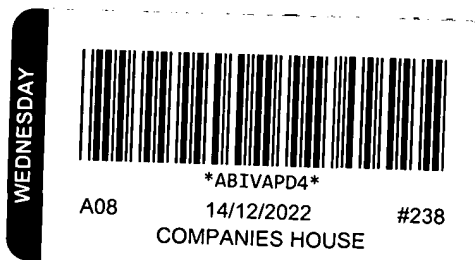


Company Registration No. 5660209
United Kingdom

Tullow Group Services Limited

Report and Audited Financial Statements

For the year ended 31 December 2021



Tullow Group Services Limited

Report and financial statements

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Tulow Group Services Limited

Officers and professional advisers

Directors

A Holland
R Miller
M Walsh

Secretary

Any director of the company has authority to perform company secretary duties.

Registered office

9 Chiswick Park
566 Chiswick High Road
London W4 5XT
United Kingdom

Solicitors

Dickson Minto W.S.
Broadgate Tower
20 Primrose Street
London EC2A 2EW
United Kingdom

Bankers

JP Morgan Chase and Co.
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF
United Kingdom

Tullow Group Services Limited

Strategic report

The directors of Tullow Group Services Limited (the “company”) present their strategic report for the year ended 31 December 2021.

Principal activity and review of business

Tullow Group Services Limited is a service company established for the purposes of handling London office and staff-related costs of the operating companies of Tullow Oil plc. The company does not expect to change its principal activity in the 2022 financial year.

No significant change in the nature of the activities has occurred during the year.

Results and dividends

The financial statements for the year ended 31 December 2021 are set out on pages 12 to 27. A loss after taxation of £32,607,601 was recorded for the year ended 31 December 2021 (2020: £84,979,420). Tullow Group Services Limited was set up as a service company for the purposes of handling all the London office and staff-related costs with the operational related costs remaining with the operating companies of Tullow Oil plc. Rechargeable costs are determined based on a timewriting system and a mark-up of 6% (2020: 6%) is applied to these costs for the services provided.

Tullow Oil plc, the ultimate parent company, manages the company’s and other UK subsidiaries’ operations on a group basis. For this reason and as a result of the nature of this company, the company’s directors believe that key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of Tullow Oil plc and its subsidiaries (“the Group”), which include the company, is discussed in the group’s annual report, which does not form part of this report.

There were no dividends received in 2021 (2020: £nil) and no dividends have been paid during the year (2020: £nil).

Principal risks and uncertainties

The principal risks and uncertainties are detailed below.

Financial risk management objectives and policies

The company’s principal financial assets are amounts due from group companies. The credit risk associated with such items, having regard to the counterparties involved, has been assessed following an analysis of the likely recovery of intercompany debtor balances based on the net assets and expected future performance of the company.

The company receives loans from a fellow group company to maintain liquidity and ensure that there are sufficient funds available for ongoing operations.

Credit risk

The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient security, where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Tullow Group Services Limited

Strategic report (continued)

Foreign currency risk

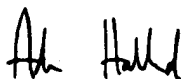
Wherever possible, the company conducts and manages its business in sterling (UK), Euros and US dollars, the operating currencies of the industry in the areas in which it operates. Cash is held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company is able to actively source financing from its shareholder.

The company does not perform any research and development activities.

Approved by the board of directors on 1 December 2022 and signed on its behalf by:



A Holland
Director
1 December 2022

Tullow Group Services Limited

Directors' report

The directors of Tullow Group Services Limited (the "company") present their annual report on the affairs of the company, together with the financial statements and auditor's report for the year ended 31 December 2021.

The principal risks and uncertainties, financial risk management policy, dividends and future developments have been presented in the strategic report and form part of this report by cross-reference.

Registered office

The company is incorporated and domiciled in the United Kingdom and registered in England and Wales. The company's registered office is listed on page 2.

Directors, secretaries and their interests

The directors, who held office, at the date of this report, are listed on page 2. The changes to the company's directors during the year and between the accounting and the date of this report are as follows:

- G Wood – resigned on 31 March 2022.

The directors did not have any interests in the shares of the company at any time during the year. In accordance with the Articles of Association, none of the directors retire by rotation.

The company secretary, who held office at the date of this report, is listed on page 2. There were no changes to the company's secretary during the year and between the accounting and the date of this report.

Any director of the company has authority to perform company secretary duties.

Going concern

The principal activity of the company is that of a service company, handling the office and staff-related costs in London on behalf of Tullow Oil plc. The company does not expect to change its principal activity in the 2022 financial year.

The company made a loss of £32,067,601 (2020: £84,979,420) for the year ended 31 December 2021. As at 31 December 2021 the company had a net liability position of £47,766,323 (2020: £23,796,583).

A letter of support has therefore been provided by Tullow Oil plc, which states it will provide the necessary financial support to ensure that the company is a going concern for at least twelve months from the date of signing of these financial statements.

On 17 May 2021, the Group announced the completion of its offering of \$1.8 billion 2026 Notes. The net proceeds, together with cash on balance sheet, have been used to (i) repay all amounts outstanding under, and cancel all commitments made available pursuant to, the Company's RBL Facility, (ii) redeem in full the Company's senior notes due 2022, (iii) at maturity, repay in full and cancel the Company's convertible bonds due 2021 and (iv) pay fees and expenses incurred in connection with the transactions. The Group also entered into a \$600 million SSRCF which is undrawn and will be primarily used for working capital purposes. The 2026 Senior Notes and the SSRCF do not have any maintenance covenants. Following completion of these transactions the Directors have concluded that the material uncertainties noted in the 2020 Annual Report and Accounts, associated with implementing a Refinancing Proposal and obtaining amendments or waivers in respect of covenant breaches or, in the event a Refinancing Proposal is implemented, the revised covenants are subsequently breached, no longer exist.

The Directors consider the going concern assessment period to be up to 31 December 2023. The Group closely monitors and manages its liquidity headroom. Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and different outcomes on ongoing disputes or litigation.

Management has applied the following oil price assumptions for the going concern assessment:

Base Case: \$100/bbl for 2022, \$90/bbl for 2023; and

Low Case: \$80/bbl for 2022, \$70/bbl for 2023.

Tullow Group Services Limited

Directors' report (continued)

Going concern (continued)

The Low Case includes, amongst other downside assumptions, a 5 per cent production decrease compared to the Base Case as well as increased outflows associated with an ongoing dispute.

The Group had \$0.6 billion liquidity headroom of unutilised debt capacity and free cash as at 30 June 2022. The Group's forecasts show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the going concern assessment period under its Base Case and Low Case. Based on the analysis above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they have adopted the going concern basis of accounting in preparing these statutory results.

Events subsequent to year end

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Supplier payment policy

It is company policy to settle all debts with creditors on a timely basis and in accordance with the terms of credit agreed with each supplier.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Tullow Group Services Limited

Directors' report (continued)

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the company. This is achieved through formal and informal meetings, the Group magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Directors' indemnities

As at the date of this report, indemnities are in force under which the ultimate parent company of the company has agreed to indemnify the directors, to the extent permitted by the Companies Act 2006, against claims from third parties in respect of certain liabilities arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the company.

Charitable and political donations

The company made charitable, social and community-related donations totalling £306,239 during the year (2020: £93,844). In line with group policy, no donations were made for political purposes.

Auditor

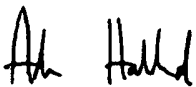
Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Ernst & Young LLP indicated their willingness to act and their appointment was approved at the 2021 Annual General Meeting.

Approved by the board of directors on 1 December 2022 and signed on its behalf by:



Director – A Holland
1 December 2022

Tullow Group Services Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Tulloy Group Services Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TULLOW GROUP SERVICES LIMITED

Opinion

We have audited the financial statements of Tulloy Group Service Limited for the year ended 31 December 2021 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months to December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Tulloy Group Services Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Tulloy Group Services Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:


- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 101 "Reduced Disclosure Framework", Companies Act 2006, Bribery Act 2010, UK Criminal Finances Act 2017, those laws and regulations relating to health and safety and employee matters and relevant tax compliance regulations in the United Kingdom.
- We understood how Tulloy Group Services Limited is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and, as part of our audit of the wider Tulloy Group, the Audit Committee. We corroborated enquiries through the review of the following documentation:
 - All minutes of board meetings held throughout the year;
 - the Tulloy group's code of ethical conduct setting out the key principles and requirements for all staff in relation to compliance with laws and regulations;
 - and any relevant correspondence with local tax authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company established to address risks identified by the entity or that otherwise seek to prevent, deter, or detect fraud. We gained an understanding of the entity level controls and policies that the Company applies being part of the Tulloy group.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
 - Testing of journal entries;
 - with a focus on journals indicating larger or unusual transactions;
 - meeting our risk criteria based on our understanding of the business;
 - Enquiries of management, legal counsel and the audit committee of the Tulloy group and;
 - review of all minutes of board meetings held throughout the year.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:


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Paul Wallek (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
02 December 2022

Tulow Group Services Limited

Statement of comprehensive income For the year ended 31 December

	Notes	2021 £	2020 £
Continuing activities			
Revenue	4	74,721,428	99,485,790
Gross profit		74,721,428	99,485,790
Administrative expenses		(107,451,654)	(183,043,217)
Operating loss	5	(32,730,226)	(83,557,427)
Finance income	8	422,409	36,728
Finance costs	9	(1,907,611)	(1,536,688)
Impairment on investment		-	(5,600)
Loss before tax		(34,215,428)	(85,062,987)
Income tax credit	10	2,147,827	83,567
Loss for the year from continuing activities		(32,067,601)	(84,979,420)
Other comprehensive income		-	-
Total comprehensive loss for the year		(32,067,601)	(84,979,420)

All transactions in the current and previous year are derived from continuing operations. There were no items of comprehensive income.

The notes on page 16 - 27 form an integral part of these financial statements.

Tulow Group Services Limited

Statement of financial position At 31 December

	Notes	2021 £	2020 £
Assets			
Non-current assets			
Property, plant and equipment	11	25,634,805	31,101,557
Intangible assets	12	486,744	2,213,919
		<u>26,121,549</u>	<u>33,315,476</u>
Current assets			
Trade and other receivables	13	24,159,411	43,056,091
		<u>24,159,411</u>	<u>43,056,091</u>
Total assets		<u>50,280,960</u>	<u>76,371,567</u>
Liabilities			
Current liabilities			
Trade and other payables	14	75,450,415	77,921,467
Lease liability	16	2,067,965	1,484,247
		<u>77,518,380</u>	<u>79,405,714</u>
Non-current liabilities			
Lease liability	16	20,528,903	20,762,436
		<u>20,528,903</u>	<u>20,762,436</u>
Total liabilities		<u>98,047,283</u>	<u>100,168,150</u>
Net current liabilities		<u>53,358,969</u>	<u>(36,349,623)</u>
Total assets less current liabilities		<u>(27,237,420)</u>	<u>(3,034,147)</u>
Net liabilities		<u>(47,766,323)</u>	<u>(23,796,583)</u>

Tullow Group Services Limited

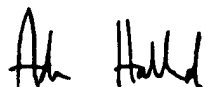
Statement of financial position (continued)

At 31 December

	Notes	2021 £	2020 £
Equity			
Share capital	15	551,476,345	551,476,345
Share premium	15	167,512,995	167,512,995
Accumulated loss		(766,755,663)	(742,785,923)
Total equity		<u>(47,766,323)</u>	<u>(23,796,583)</u>

The notes on page 16 – 27 form an integral part of these financial statements.

The financial statements of the company, Tullow Group Services Limited (company no: 5660209), on pages 3 to 27 were approved by the board of directors on 1 December 2022 and signed on its behalf by:



Director – A Holland
1 December 2022

Tullow Group Services Limited

Statement of changes in equity For the year ended 31 December

	Share capital £	Share premium £	Accumulated loss £	Total £
Balance at 1 January 2020	551,476,345	167,512,995	(670,419,676)	48,569,664
Total comprehensive loss for the year	-	-	(84,979,420)	(84,979,420)
Share-based payment contribution	-	-	12,613,173	12,613,173
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	551,476,345	167,512,995	(742,785,923)	(23,796,583)
Total comprehensive loss for the year	-	-	(32,067,601)	(32,067,601)
Share-based payment contribution	-	-	8,097,861	8,097,861
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on page 16 - 27 form an integral part of these financial statements.

Tullow Group Services Limited

Notes to the financial statements For the year ended 31 December 2021

1. General information

Tullow Group Services Limited is a private company, limited by shares, incorporated and registered in the United Kingdom (England and Wales) under the Companies Act 2006. The address of the registered office is given on page 2.

2. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework'. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis, and in accordance with the Companies Act 2006.

The principal accounting policies adopted by the company are set out below.

Going concern

A letter of support has therefore been provided by Tullow Oil plc, which states it will provide the necessary financial support to ensure that the company is a going concern for at least twelve months from the date of signing of these financial statements.

On 17 May 2021, the Group announced the completion of its offering of \$1.8 billion 2026 Notes. The net proceeds, together with cash on balance sheet, have been used to (i) repay all amounts outstanding under, and cancel all commitments made available pursuant to, the Company's RBL Facility, (ii) redeem in full the Company's senior notes due 2022, (iii) at maturity, repay in full and cancel the Company's convertible bonds due 2021 and (iv) pay fees and expenses incurred in connection with the transactions. The Group also entered into a \$600 million SSRCF which is undrawn and will be primarily used for working capital purposes. The 2026 Senior Notes and the SSRCF do not have any maintenance covenants. Following completion of these transactions the Directors have concluded that the material uncertainties noted in the 2020 Annual Report and Accounts, associated with implementing a Refinancing Proposal and obtaining amendments or waivers in respect of covenant breaches or, in the event a Refinancing Proposal is implemented, the revised covenants are subsequently breached, no longer exist.

The Directors consider the going concern assessment period to be up to 31 December 2023. The Group closely monitors and manages its liquidity headroom. Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and different outcomes on ongoing disputes or litigation.

Management has applied the following oil price assumptions for the going concern assessment:

Base Case: \$100/bbl for 2022, \$90/bbl for 2023; and

Low Case: \$80/bbl for 2022, \$70/bbl for 2023.

The Low Case includes, amongst other downside assumptions, a 5 per cent production decrease compared to the Base Case as well as increased outflows associated with an ongoing dispute.

Tullow Group Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

2. Accounting policies (continued)

Going concern (continued)

The Group had \$0.6 billion liquidity headroom of unutilised debt capacity and free cash as at 30 June 2022. The Group's forecasts show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the going concern assessment period under its Base Case and Low Case. Based on the analysis above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they have adopted the going concern basis of accounting in preparing these statutory results.

Changes in accounting policy

All accounting policies are consistent with the prior year.

Revenue

Revenue is attributed to one activity and represents the cost plus 6% (2020: 6%) uplift on certain services to other group business units, net of VAT. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period.

Intangibles and property, plant and equipment

Other intangibles and property, plant and equipment comprise office equipment and computer software which are stated at cost less depreciation to date and any provision for impairment.

Intangibles and property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and ten years.

The expected useful economic lives per asset category are detailed below.

Leasehold Improvement – 4 years

F & F – 4 years

Hardware – 3 years

Software – 3 years

Vehicles – 3 years

Leased assets¹ – average lease term of 11 years

1. The expected useful economic live of lease assets are assessed on an individual basis, based on the term of the lease.

Share issue expenses and share premium account

Costs of share issues are written off against the premium arising on the issues of share capital.

Tullow Group Services Limited

Notes to the financial statements (continued) **For the year ended 31 December 2021**

2. Accounting policies (continued)

Tax

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the statement of financial position date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Pensions

Contributions to the company's defined contribution pension schemes are charged to operating profit on an accruals basis.

Leases

On inception of a contract, the Company assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether the contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, the Company has the right to obtain all of the economic benefits from the use of the asset throughout the period of use, and the Company has the right to direct the use of the asset.

Lessee accounting

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability and any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs required to remove or restore the underlying asset, less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The initial measurement of the corresponding lease liability is at the present value of the lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of Tullow Oil Group

The lease payments include fixed payments, less any lease incentive receivable, variable lease payments based on an index or rate, and amounts expected to be payable by the lessee under residual value guarantees.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets with an annual cost of \$5,000.

Tulloy Group Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

2. Accounting policies (continued)

Leases (continued)

Over the course of a lease contract, there will be taxable timing differences that could give rise to deferred tax, subject to local tax laws and regulations.

Extension and termination options are included in a number of property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

Lessor accounting

The company did not enter into any contracts acting as a lessor.

Finance costs and debt

All other finance costs, which include interest on borrowings calculated using the effective interest method as described in paragraph, obligations under finance leases, the unwinding effect of the effect of discounting provisions and exchange differences, are recognised in the income statement in the period in which they are incurred.

Share-based payments

The company has applied the requirements of IFRS 2 Share-based Payments. The company has share-based awards that are equity settled and cash settled as defined by IFRS 2. The fair value of the equity settled awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the company's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary, this model is supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk free rate of interest; and patterns of exercise of the plan participants.

For cash settled awards, a liability is recognised for the goods or service acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the statement of comprehensive income.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); financial assets 'at fair value through other comprehensive income (FVTOCI); 'and amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Tullow Group Services Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

2. Accounting policies (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3. Critical accounting judgements

The company assesses critical accounting judgements annually. The following are the critical judgements, apart from those involving estimations (which are dealt with below) that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- Application of the going concern basis of accounting:

The financial statements have been prepared on the going concern basis. In order to determine whether it is appropriate for the company to report as a going concern, the directors consider financial position of the company, its business activities, principal risks and uncertainties, as well as the company's reliance on its ultimate parent company, Tullow Oil plc, providing financial support during the period of assessment. The details of the going concern assessment performed and conclusion reached, including the identification of a material uncertainty related to going concern, are discussed in the Director's Report on pages 5 and 6.

Key sources of estimation uncertainty

There were no key sources of estimation uncertainty during the current year.

4. Revenue

	2021 £	2020 £
Group services	74,721,428	99,485,790

All revenue is generated from the company's principal activity and arises in the United Kingdom.

Tulloy Group Services Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

5. Operating loss

	2021 £	2020 £
Operating loss is stated after charging:		
Staff costs (see note 6)	45,012,123	66,468,178
(Reversal) / provision for doubtful debts (see note 13)	(4,186,709)	3,814,229
Share-based payments charges	8,097,862	12,613,173
Provision for onerous contract	-	(296,307)
Auditor's fees for the audit of the company's annual accounts	17,862	17,862
Depreciation and amortisation (see note 11 and 12)	10,311,954	10,198,202
Gain on disposal of fixed assets	(47,174)	(38,415)
	<u>45,012,123</u>	<u>66,468,178</u>

No fees were payable to the auditor for non-audit services. (2020: £nil).

6. Staff costs

The average number of employees (including executive directors) employed by the company was:

	2021	2020
Administration	125	161
Technical	80	166
	<u>205</u>	<u>327</u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages, salaries and benefits	34,890,840	52,706,499
Social security costs	6,886,680	8,921,788
Pension costs	3,234,603	4,839,891
	<u>45,012,123</u>	<u>66,468,178</u>

7. Directors' emoluments and employees

None of the directors received any remuneration for their services to the company during the year (2020: £nil).

Tullow Group Services Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

8. Finance income

	2021 £	2020 £
Other income	1	29
Exchange gains	422,408	36,699
	<u>422,409</u>	<u>36,728</u>

9. Finance costs

	2021 £	2020 £
Lease interest expense	1,813,823	-
Exchange losses	-	1,536,688
Finance fees – other	93,788	-
	<u>1,907,611</u>	<u>1,536,688</u>

10. Income tax expense

(a) Analysis of credit in the year

	2021 £	2020 £
Current tax		
UK corporation tax for prior periods	(1,453,285)	(247,630)
UK corporation tax	(877,582)	-
Foreign tax	183,039	164,063
	<u>(2,147,828)</u>	<u>(83,567)</u>

Company's total income tax credit for the year

Tullow Group Services Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

10. Income tax expense (continued)

(b) Factors affecting tax charge for the year

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before taxation is as follows:

	2021 £	2020 £
Loss for the year before taxation	(34,215,428)	(85,062,987)
Tax on loss at standard UK corporate income tax rate of 19% (2020: 19%)	(6,500,931)	(16,161,968)
Effects of:		
(Income note taxable) / expenses not deductible for tax purposes	(46,446)	2,552,218
Transfer pricing adjustment	8,285,336	17,191,522
Depreciation in excess of capital allowances	(310,409)	(678,073)
R&D tax credit	(877,582)	-
Group relief claimed without compensation	(1,427,549)	(2,903,699)
Prior year adjustment	(1,453,285)	(247,630)
Overseas taxation	183,039	164,063
Company's total income tax credit for the year	(2,147,827)	(83,567)

The company is subject to UK corporation tax. The Finance Act 2020 sets the Corporation Tax main rate at 19% for the financial year beginning 1 April 2021. The Finance Act 2021 sets the Corporation Tax main rate at 19% for the financial year beginning 1 April 2022 and at 25% for the financial year beginning 1 April 2023. These changes were enacted on 10 June 2021 and hence the effect of the change on the deferred tax balances has been included, depending upon when deferred tax is expected to reverse.

11. Investment in subsidiaries

On 24 April 2019 the Company increased its shareholding in Tullow Brazil for a consideration of \$881,164.93 (£678,203). The investment was subsequently impaired by £658,054 down to the net asset value of the entity.

On 26 November 2020, the Company's subsidiary, Tullow Brazil was dissolved.

	2021 £	2020 £
Balance 01 January	-	20,149
Increase in impairment	-	-
Impairment	-	(5,600)
Disposal proceeds	-	(14,549)
Balance 31 December	-	-

Tulow Group Services Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

12. Property, Plant and Equipment

	Leasehold Improvement £	Furniture & Fittings £	Computer Hardware £	Right-of-use assets £	Total £
Cost					
At 1 January 2021	484,692	7,184,530	12,632,836	24,221,297	44,523,355
Additions	-	(17,853)	786,682	2,349,202	3,118,031
Disposals	(329,841)	-	(2,202,540)	(2,576,676)	(5,109,057)
At 31 December 2021	154,851	7,166,677	11,216,978	23,993,824	42,532,329
Depreciation and amortisation					
At 1 January 2021	(363,228)	(2,857,575)	(4,789,165)	(5,411,830)	(13,421,798)
Charge for the year	(99,748)	(1,437,184)	(4,547,461)	(2,500,390)	(8,584,783)
Disposals	329,841	-	2,202,540	2,576,676	5,109,057
At 31 December 2021	(133,135)	(4,294,759)	(7,134,086)	(5,334,544)	(16,897,524)
Net Book Value					
As at 1 January 2021	121,464	4,326,955	7,843,671	18,809,467	31,101,557
As at 31 December 2021	21,716	2,871,918	4,082,892	18,658,279	25,634,805

13. Intangible assets

	Computer software £	Total £
Cost		
1 January 2021	5,422,577	5,422,577
Disposals	(1,854,172)	(1,854,172)
At 31 December 2021	3,568,405	3,568,405
Amortisation		
At 1 January 2021	(3,208,658)	(3,208,658)
Charge for the year	(1,727,171)	(1,727,171)
Disposals	1,854,169	1,854,169
At 31 December 2021	(3,081,660)	(3,081,660)
Net book value		
1 January 2021	2,213,919	2,213,919
31 December 2021	486,745	486,745

Tulloy Group Services Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

14. Trade and other receivables

	2021 £	2020 £
Other taxation and social security	918,410	1,462,345
Other receivables	5,645,175	10,821,899
Prepayments	7,915,429	12,466,809
Amounts due from group companies	23,188,943	36,000,294
Less: allowance for doubtful debt	(13,508,546)	(17,695,256)
	<u>24,159,411</u>	<u>43,056,091</u>

The intercompany balances, predominantly relate to time-writing and consultancy charges, are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The allowance for doubtful debt has been made based on the credit risk and probability of default of the counterparty Group company.

15. Trade and other payables

	2021 £	2020 £
Trade and other payables	5,575,290	8,423,690
Accruals	22,622,249	24,506,376
Amount due to group companies	47,252,876	44,991,401
	<u>75,450,415</u>	<u>77,921,467</u>

The intercompany balances are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16. Allotted, called up and fully paid share capital

	Share capital allotted and fully paid Number	Share capital £
At 1 January 2020	551,476,345	551,476,345
Issued during the year	-	-
	<u>551,476,345</u>	<u>551,476,345</u>
At 1 January 2021	551,476,345	551,476,345
Issued during the year	-	-
	<u>551,476,345</u>	<u>551,476,345</u>
At 31 December 2021	<u>551,476,345</u>	<u>551,476,345</u>

Tulloy Group Services Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

16. Allotted, called up and fully paid share capital (continued)

	2021 £	2020 £
Share premium	167,512,995	167,512,995

17. Lease liability

Maturity analysis of the lease liability

	2021 £	2020 £
Cash outflow		
Less than one month	12,409	12,409
One to three months	867,129	719,786
Three months to one year	2,638,615	2,196,584
One year to five years	14,010,566	11,997,394
Over five years	12,139,810	15,608,329

Total	29,668,529	30,534,502
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Discounting	(7,071,661)	(8,287,819)
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Total	22,596,868	22,246,683
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	2021 £	2020 £
Lease liability		
At 1 January	22,246,683	23,363,796
Additions	2,054,515	-
Payments	(3,518,153)	(2,653,801)
Interest expense	1,813,823	1,536,688

At 31 December	22,596,868	22,246,683
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	2021 £	2020 £
Current	2,067,965	1,484,247
Non-current	20,528,903	20,762,436

Total	22,596,868	22,246,683
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The lease is secured via the lease asset.

	2021 £	2020 £
Net book value (note 11)	18,658,279	18,809,467

The carrying value of all financial assets and liabilities are materially the same as their fair value.

Tullow Group Services Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

18. Lease liability (continued)

All of the above relate to land and buildings. Lease payments represent rentals payable by the company for certain of its office properties. Leases on office properties are negotiated for an average of six years and rentals are fixed for an average of six years. There is no contingent rent payable.

19. Related party information

The company is exempt from disclosing inter group transactions due to the exemption in the Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101).

20. Cash flow statement

The company has taken advantage of the exemption under the Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) to present a separate cash flow statement for the company in these financial statements.

21. Ultimate holding company

Tullow Oil plc, a company incorporated in the United Kingdom, is Tullow Group Services Limited's immediate and ultimate holding company. The parent undertaking is the only group which includes the company and for which consolidated financial statements is produced. These consolidated financial statements can be obtained from Tullow Oil plc, 9 Chiswick Park, 566 Chiswick High Road, London W4 5XT, which is its registered address.

22. Events subsequent to the year end

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.